

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

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MTREF BUDGET FOR 2016/17 FINANCIAL YEAR

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26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

1. TABLE OF CONTENTS

PART 1- ANNUAL BUDET

- 1.1 Mayors Report
- 1.2 Council Resolution
- 1.3The Budget Overview
- 1.4 Executive Summary
- 1.5 Operating Revenue Framework
- 1.6 Operating Expenditure Framework
- 1.7 Capital Expenditure
- 1.8 Cash containment

PART 2- SUPPORTING DOCUMENT

- 2.1 Overview of Annual Budget Process
- 2.2 Financial Modelling
- 2.3 Free Basic Services
- 2.4 Overview of Budget Related Policies
- 2.5 Overview of Budget Strategy and Assumptions
- 2.6 Overview of Budget Funding

Quality Certificate

ANNEXURES

- 1 Budgeted Summary
- 2 Budgeted Financial Performance Vote
- 3 Budgeted Financial Performance (Revenue & Expenditure)
- 4 Budgeted Capital Expenditure
- 5. Budgeted Financial Position
- 6. Budgeted Cash Flow
- 7. Budgeted Cash Back Reserves
- 8. Budgeted Asset Management

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

9 Budgeted Basic Service Delivery

10 Draft Tariff Listing

11 National Treasury -Circular 79

12 National Treasury -Circular 77

13 Draft Service Standards

14 Financial Policies

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

SUNDAY'S RIVER VALLEY LOCAL MAYORS BUDGET SPEECH

Honourable Speaker

Executive members

Councillors

Officials

I greet you all in the name of service delivery.

The 2016 Budget Review notes that since the tabling of the Medium Term Budget Policy Statement (MTBPS) in October 2015 the global economic crisis has deepened, exposing the depth of South Africa's external vulnerabilities and the internal constraints that limit its potential for growth.

Sundays River Valley municipality is not immune to the realities of continued recession. Higher inflation and weaker employment growth will impact on the ability of the municipality to generate and collect revenue on services, to keep expenditures within budgeted allocations, and to borrow to fund capital expenditure programmes at affordable rates.

Therefore it is critical for municipality to review how they conduct their business to ensure value for money is obtained in all expenditures, that revenue administration systems are operating effectively, that borrowing programmes are realistic, and that creditors (including bulk service providers) continue to be paid timeously and in full.

As we strive towards impacting rural livelihood for the better in local Municipality of Sunday's River Valley, amongst the compliance issues is the submission of the MTREF budget as prescribed in section 126 of the Local Government: Municipal Finance Management Act 56 of 2003.

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

I therefore submit 2016/17 annual budget. The Council remains committed in improving its service delivery even though our budget is limited as the municipality is grant dependant and hoping to meet the challenges it faces and hopefully in future years, I will be able to report positively on the progress we have made in this regard.

In conclusion I would like to ensure our community that though the budget is limited but Sunday's River Valley municipality will remain committed in improving its service delivery. I also would like to express my appreciation to my fellow Council members, the Municipal Manager, The Chief Financial Officer and all other staff for their support, cooperation and hard work during the preparation of the budget as well as IDP.

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

COUNCIL RESOLUTION

1. That in terms of the section 24 of the Municipal Finance Management Act, 56 of 2003, the budget of the Sundays River Valley Municipality for the financial year 2016/17; and indicative allocations for the two projected outer years 2017/18; and 2018/19; and the multi-year and single-year capital appropriations are approved as set-out in the following tables:
 - 1.1. Budgeted Financial performance (revenue and expenditure by municipal vote and standard classification);
 - 1.2. Budgeted Financial performance (revenue and expenditure by municipal vote);
 - 1.3. Budgeted Financial performance (revenue by source and expenditure by type); and
 - 1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.

2. That the financial position, cash flow, cash backed reserve/ accumulated surplus, asset management and basic service delivery targets are adopted as set out in the following tables:
 - 2.1. Budgeted Financial position;
 - 2.2. Budgeted Cash Flows;
 - 2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 2.4. Asset management; and
 - 2.5. Basic service delivery measurement.

3. That in terms of Section 42(2)(c)(i) and (ii) of the Municipal Finance Management Act 56 of 2003 and section 74 and 75A of the Local Government: Municipal Systems Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates as set out in annexure A, that were used to prepare the estimates of revenue by sources, are approved with effect from 1 July 2016.

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

4. That Council approve the financial policies
5. That Council approves the Services Delivery Standards
6. That Council approve the cash containment principles proposed in accordance to 2016 State of the Nation Address by the President
7. That Council notes the mSCOA implementation plan and progress to date

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

1.3 THE BUDGET OVERVIEW

This section contains an Executive Summary of the Sunday's River Valley Local Municipality's Budget followed by a more detailed explanation of its Operating and Capital components over the next three years.

1.4 EXECUTIVE SUMMARY

In compiling the annual budget for 2016/17, the application of sound financial management principles for the compilation of the SRVM financial plan is essential and critical. These principles will ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. Consideration was given to the national priorities as communicated through National Treasury circulars.

National Treasury's MFMA Circular No. 79 was used to guide the compilation of the 2016/17 MTREF.

The main challenges experienced during the compilation of the annual 2017 MTREF budget can be summarised as follows:

- Ongoing national and local economy difficulties
- Collection rate not being at the desired levels to ensure cash backed budget is approved
- The municipality is still struggling to register all indigents; the registration has a direct influence on the share of Equitable Share that the municipality will receive in years to come.
- The need to prioritise projects and expenditure within the existing resources given the continued cash flow challenges within the municipality
- The increased cost (above consumer inflation) of bulk electricity and water, is placing upwards pressure on the municipal service tariffs which is unfavourable for residents

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

The following budget principles and guidelines directly influenced the compilation of the annual budget of 2016/17:

- The 2015/16 Adjustment budget priorities
- The base line allocations contained in the Adjustment budget were adopted as upper limits for the new base line for the 2016/17 annual budget
- Tariff and property rates increase should be affordable and not exceed consumer inflation except where there are price increase in inputs beyond the municipality's control
- There will be no budget allocated to national or provincial funded projects unless the grants to the municipality are gazetted in the Division of Revenue Act
- The funding constraints with regards to the low available funding for the Capital Budget through the Cash backed Reserve

In view of the aforementioned, the following table is a consolidated overview of the proposed 2016/17 annual budget:

	Adjustments Budget	Budget Year	Budget Year +1	Budget Year +2
	2015/16	2016/17	2017/18	2018/19
	R'000	R'000	R'000	R'000
Total Operating Revenue	162 096	204 194	222 962	241 002
Total Operating Expenditure	200 414	217 103	226 992	237 250
Surplus/(Deficit)	(38 318)	(12 909)	(4 029)	3 752
Total Capital Expenditure	33 848	52 797	39 838	46 083

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

Total operating revenue has grown by 25.9 per cent or R42 million for the 2016/17 financial year when compared to the 2015/16 Adjustments Budget. For the two outer years, operational revenue will increase by 9 and 8 per cent respectively, equating to a total revenue growth of R78.9 million over the MTREF when compared to the 2015/16 financial year.

Total operating expenditure for the 2016/17 financial year has been appropriated at R217.1 million and translates into a budgeted deficit of R12.9 million.

The capital budget of the municipality has increased by R18.9 million or by 55 per cent for the 2016/17 financial year when compared to the 2015/16 Adjustment Budget. A substantial portion of the capital budget will be funded from government grant transfers. The balance will be funded from internally generated funds provided all anticipated revenues are received and reserves.

1.5 OPERATING REVENUE FRAMEWORK

For the municipality to achieve its set targets in terms of service delivery it needs to generate sufficient revenue. The current financial state of affairs of the municipality need difficult decisions to be made in terms of tariff increases and balancing expenditure against planned realistic anticipated revenues. Efficient and effective revenue management is thus critical.

The Municipality's revenue management strategy includes the following key components:

- National Treasury's guidelines in this regard;
- Growth in the revenue base;
- Efficient revenue management, aiming to improve annual collection rate for property rates and service charges, after discounting the Free Basic Services (FBS) subsidies;
- Electricity bulk tariff increases as approved by the National Electricity Regulator of

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

South Africa (NERSA);

- Water bulk tariff increases as approved by the Department of Water Affairs (DWA);
- Ensuring fully cost reflective tariffs for trading services;
- The Property Rates Policy;
- The municipality's Indigent Policy and the rendering of Free Basic Services;
- The level of property rates and tariff increases must ensure financially sustainable service delivery.

The following table is a summary of the 2016/17 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by revenue source

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17	2017/18	2018/19
		Audited	Audited	Audited	Original	Adjusted	Full Year	Pre-audit	Budget Year	Budget Year	Budget Year
Revenue By Source											
Property rates	2	13 014	13 933	28 889	12 781	35 836	35 836	35 836	38 201	40 569	42 963
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	15 622	14 495	17 609	20 089	7 034	7 034	7 034	13 098	14 098	15 175
Service charges - water revenue	2	12 743	20 019	25 547	7 624	5 939	5 939	5 939	17 978	19 093	20 219
Service charges - sanitation revenue	2	3 545	3 519	4 337	2 081	2 758	2 758	2 758	4 413	4 687	4 963
Service charges - refuse revenue	2	6 455	7 197	7 688	4 608	5 262	5 262	5 262	8 315	8 830	9 351
Service charges - other											
Rental of facilities and equipment		115	128	136	121	26	26	26	27	29	31
Interest earned - external investments		285	549	470	186	1 439	1 439	1 439	1 533	1 629	1 725
Interest earned - outstanding debtors		4 649	7 058	10 501	7 111	2 284	2 284	2 284	5 000	5 310	5 623
Dividends received								-			
Fines		1 907	2 012	3 671	609	4 038	4 038	4 038	4 240	4 282	4 325
Licences and permits		1 327	1 989	1 359	1 302	1 628	1 628	1 628	1 644	1 746	1 849
Agency services		1 577	1 121	1 520	1 363	1 711	1 711	1 711	1 728	1 835	1 943
Transfers recognised - operational		42 787	49 077	53 881	61 809	61 190	61 190	61 190	67 055	71 727	76 925
Other revenue	2	2 255	406	15 531	22 678	6 832	6 832	6 832	7 516	7 982	8 453
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and		106 282	121 503	171 139	142 362	135 976	135 976	135 976	170 748	181 817	193 546

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

Table 3 Percentage in revenue by main revenue source

Description	Adjusted Budget 2015/16	Budget Allocation in %	Budget Year 2016/17	Budget Allocation in %	Budget Year +1 2017/18	Budget Allocation in %	Budget Year +2 2018/19	Budget Allocation in %
Property rates	35 836	26%	38 201	22%	40 569	22%	42 963	22%
Property rates - penalties & collection charges		0%		0%		0%		0%
Service charges - electricity revenue	7 034	5%	13 098	8%	14 098	8%	15 175	8%
Service charges - water revenue	5 939	4%	17 978	11%	19 093	11%	20 219	10%
Service charges - sanitation revenue	2 758	2%	4 413	3%	4 687	3%	4 963	3%
Service charges - refuse revenue	5 262	4%	8 315	5%	8 830	5%	9 351	5%
Service charges - other		0%		0%		0%		0%
Rental of facilities and equipment	26	0%	27	0%	29	0%	31	0%
Interest earned - external investments	1 439	1%	1 533	1%	1 629	1%	1 725	1%
Interest earned - outstanding debtors	2 284	2%	5 000	3%	5 310	3%	5 623	3%
Dividends received		0%		0%		0%		0%
Fines	4 038	3%	4 240	2%	4 282	2%	4 325	2%
Licences and permits	1 628	1%	1 644	1%	1 746	1%	1 849	1%
Agency services	1 711	1%	1 728	1%	1 835	1%	1 943	1%
Transfers recognised - operational	61 190	45%	67 055	39%	71 727	39%	76 925	40%
Other revenue	6 832	5%	7 516	4%	7 982	4%	8 453	4%
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and	135 976	100%	170 748	100%	181 817	100%	193 546	100%
Total Revenue from rates and service charges	56 830	42%	82 005	48%	87 277	48%	92 672	48%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. In the 2015/16 financial year, revenue from rates and services charges totalled R56.8 million. This increases to R82 million, R87.2 million and R92.6 million in the respective financial years of the MTREF. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity.

Interest earned for outstanding debtors has been budgeted using the adjusted 2015/16 budget baseline and prudence principle. Furthermore it is envisaged and it would be best practice for Council to write off outstanding debt where the likelihood of generating this income is low i.e. indigent households.

Transfers recognised as operational receipts is the second largest revenue source totalling 39 per cent or R67 million rand and increases to 76.9 million by 2018/19. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 MTREF		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		34 087	39 552	44 367	51 285	50 085	50 085	63 078	68 741	73 849
Local Government Equitable Share		36 314	40 327	46 351	52 292	52 292	52 292	59 318	65 608	71 249
EPWP Incentive		998	1 000	1 000	1 000	1 000	1 000	1 000		
Municipal Systems Improvement		779	890	934	930	930	930	750	788	
Integrated National Electrification Programme			500	-	1 500	1 500	1 500	-		
Finance Management		1 270	1 650	1 800	1 875	1 875	1 875	2 010	2 345	2 600
				-						
MIG Operational		191		-	1 243	1 243	1 243			
Provincial Government:		271	1 507	1 507	1 157	1 157	1 157	2 210	1 200	1 270
Small town revitalization		271	350	350				1 010		
Library Funding			1 157	1 157	1 157	1 157	1 157	1 200	1 200	1 270
District Municipality:		-	1 365	1 545	1 662	1 226	1 226	1 666	1 679	1 692
Environmental Health			990	1 170	1 287	1 226	1 226	1 291	1 304	1 317
Fire			375	375	375			375	375	375
Other grant providers:		2 784	3 069	-	150	95	95	101	108	114
DWAF										-
Other grant providers:		2 784	3 069		150	95	95	101	108	114
Total Operating Transfers and Grants	5	42 607	50 308	53 137	61 809	52 563	52 563	67 055	71 727	76 925

Tariff setting is a pivotal part of budget compilation. National treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Sundays River Valley has maintained an increase of 6.6% in line with the CPI but this is not a good measure for the municipality as the gap between cost drivers and tariff levies steadily widens.

The municipality is reviewing the tariff setting methodology through National Treasury tool recently received. The aim of this exercise is to help the municipality adopt a tariff setting methodology that achieves an appropriate balance between the interest of poor households and other customers while ensuring financial sustainability.

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

Should the tariff tool yield negative results, the municipality may in the future embark on processes to correct their tariff structure over a reasonable period so that the cost reflective tariffs are achieved so to ensure the municipality achieves an equitable balance.

The percentage increases of both Eskom and Water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the municipality.

Annexure is attached for the proposed tariff structure applicable in 2016/17 FY.

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

1.6 OPERATING EXPENDITURE FRAMEWORK

The municipality's expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- Funding of the budget over the medium-term is informed by the requirements of Section 18 and 19 of the MFMA;
- The balanced budget approach by limiting operating expenditure to the operating revenue;
- Strict adherence to the principle of "no budget allocations without a project implementation plan"; and
- Operational gains and efficiencies will be directed to funding the capital budget and other core services

The following table is a high level summary of the 2016/17 draft budget and MTREF (classified by main type of operating expenditure)

Table 5 Summary of Operating Expenditure by standard classification framework

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Expenditure By Type											
Employee related costs	2	31 682	38 277	41 132	47 294	47 326	47 326	47 326	53 418	57 264	61 215
Remuneration of councillors		4 930	5 165	5 369	5 301	5 953	5 953	5 953	6 310	6 695	7 090
Debt impairment	3	15 822	42 372	42 839	18 873	29 489	29 489	29 489	34 967	34 967	34 967
Depreciation & asset impairment	2	13 797	25 386	28 989	17 500	44 839	44 839	44 839	35 000	35 000	35 000
Finance charges		2 720	2 173	2 849	1 054	3 024	3 024	3 024	2 644	2 808	2 974
Bulk purchases	2	12 320	14 734	21 491	19 047	19 047	19 047	19 047	20 495	22 038	23 685
Other materials	8	11 843	6 380	2 121	7 097	6 108	6 108	6 108	6 304	6 695	7 090
Contracted services		2 446	-	-	1 951	3 527	3 527	3 527	4 026	4 276	4 528
Transfers and grants		-	-	-	-	-	-	-	17 970	19 205	20 495
Other expenditure	4, 5	24 143	35 785	39 882	41 101	41 101	41 101	41 101	35 970	38 046	40 127
Loss on disposal of PPE			2 511	906							
Total Expenditure		119 702	172 785	185 576	159 218	200 414	200 414	200 414	217 103	226 992	237 170

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

Employee Costs

The budgeted allocation for employee related costs for the 2016/17 financial year totals R53.4 million, which equals 24.6 per cent of the total operating expenditure. This is based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 7.6 per cent for the 2016/17 financial year. An annual increase of CPI + 1 per cent has been included in the two outer years of the MTREF.

It should be noted that not all post in the municipal organogram have been budgeted for due to cash flow constraints. Employee costs have been identified as a cost saving area and only critical post have been prioritized in the budget at hand.

Remuneration of Councillors

The cost associated with the remuneration of councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipal budget.

It should however be noted that the Equitable Share allocation for special support to councillors has not been provided for accordingly by Treasury as only R3 million has been allocated which means 50 per cent of Council costs are at the mercy of the municipality.

Debt Impairment

The provision of debt impairment for the 2016/17 financial year equates to R34.9 million based on actual collection rate of 43 per cent and related policy. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

Depreciation and Impairment

Provision for depreciation and asset impairment has been informed by the Asset Management Policy and AFS baseline. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R35 million for the 2016/17 financial and equates to 16 per cent of the total operating expenditure.

Bulk Purchases

Bulk purchases are directly informed by the purchase of electricity from Eskom and Water Affairs. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions.

Finance Charges

Finance charges consist primarily of the interest for unwinding landfill site and interest on outstanding repayment of creditors. Finance charges amount to R2.6 million for the 2016/17 financial year. It should be noted that municipalities are encourage to maintain and meet their obligations to creditors within the prescribed timeframes. This area of expenditure should be monitored and avoided at all costs.

Transfers and Subsidies

These are non cash subsidies made to individuals. It is the social package to assist households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipal Indigent Policy.

Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in MBRR A10 (Basic Service Delivery Measurement)

The cost of the social package of the registered indigent households is largely financed by

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

national government through the local government equitable share received in terms of the annual Division of Revenue Act.

Other material

Other material comprises of amongst others the purchase of materials for maintenance. Municipal repairs and maintenance occur on an ad-hoc basis for this group of expenditure. However development of a plan for repairs and maintenance has to be prioritised to ensure sustainability of the municipality's infrastructure assets. For 2016/17 the appropriation against this group of expenditure has remained constant at 3 per cent (R6.3 million)

It should also be noted that certain costs related to repairs and maintenance have been allocated to general expenditure. These are chemicals, cleaning materials and tools and accessories amongst others. This expenditure has not been included in this bracket therefore the municipality appears not to meet Treasury's allocation of 8% of operating expenditure to repairs and maintenance.

Of the R6.3 million, basic service or trading service have been allocated 62.7 per cent at R3.9 million. Infrastructure assets received significant proportion of the allocation as follows:

- R2 million for water and sanitation
- R1.3 million for electricity
- R650 thousand for roads

Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. This results in a decrease of expenditure in 2016/17 to R35.9 million from R41.1 in 2015/16 financial year.

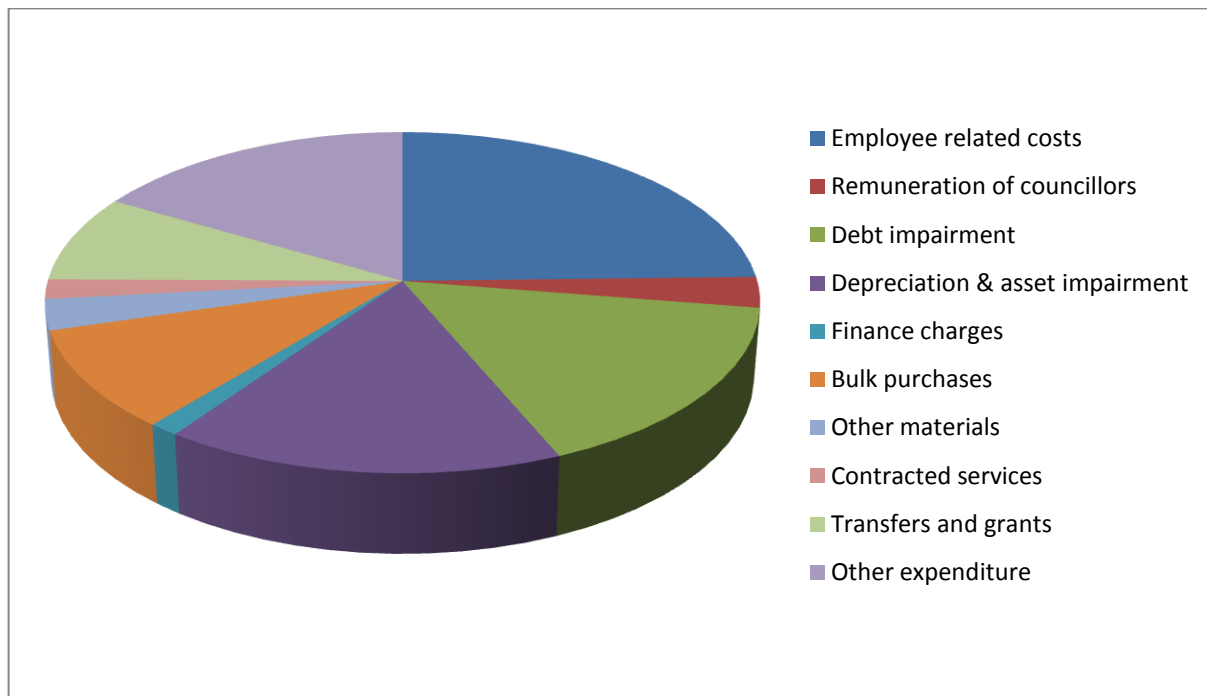
Breakdown of these expenses can be found in the budget schedules- SA1

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

The graph below reflects the expenditure components of the budgeted statement of financial performance



1.7 CAPITAL EXPENDITURE

The Municipal Capital Budget is R52.7 million. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Rehabilitation of Parks and Playground- R1 250 000
- Upgrading of Paterson Waste Water Treatment Works- R9 204 000
- Upgrading of Local Distributor Roads-Moses Mabida Ring Road- R1 000 000
- Rehabilitation of Bulk Pipeline in Kirkwood, Enon, Bersheba, Addo and Paterson- R2 074 000

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

- Upgrading of Gravel Roads- Emsengeni Bulk Taxi Route- R9 632 000
- Electrification Programme- R9 000 000
- Traffic and Licensing Vehicles-R2 400 000
- Upgrading of IT infrastructure-R2 000 000
- Construction of Buildings- R13 000 000
- Transformer and cherry picker- R985 000
- Various assets – R2 182 000 (pumps, roller compactor, office furniture and equipment, software, pay-point construction , records management etc)

Total new assets represent 38 per cent or R20 million of the total capital budget while asset renewal equates to 62 per cent or R32.7 million. Further detail can be found in , MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class .

It should be noted that of the R19.6 million own funded capital budget, R13 million has cash backed reserves. The remaining R6.6 million will be funded from anticipated revenues and operational grant funding to be received in 2016/17 financial year.

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

1.8 Cash containment

In the 2016 State of the Nation Address by the President, the cost containment measures announced by the Minister of Finance in 2013 were re-emphasised. The Mayors of municipalities were urged to join in eliminating wasteful expenditure in government.

The municipality has responded to the cry to curb expenditure on non priority items. The following have been identified as cash containment areas for the municipality:

- public relations projects and activities that are not centred on actual service delivery or are not a municipal function (e.g. celebrations; gala dinners; commemorations, advertising and voter education);
- LED projects that serve the narrow interests of only a small number of beneficiaries or fall within the mandates of other government departments such as the Department of Agriculture
- excessive catering for meetings and other events, including the use of public funds to buy alcoholic beverages
- excessive printing costs (instead of maximising the use of the municipality's website, including providing facilities for the public to access the website)
- excessive councillor and staff perks such as luxurious mayoral cars and houses, notebooks, IPADS and cell-phone allowances; travel and subsistence allowances. Municipalities in terms of section 7(1) of the Remuneration of Public Office-bearers Act, 1998 (Act No.20 of 1998) the Minister for Cooperative Governance and Traditional Affairs must determine the limit of salaries and allowances of the different members of municipal councils and any budget provision may not be outside this framework
- the use of consultants to perform routine management tasks, and the payment of excessive fees to consultants
- Excessive overtime

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

In pursuing value for money and curtailing unnecessary costs the municipality has taken cognisance of the cost containment measures as approved by Cabinet and align their budgeting policies to these guidelines to the maximum extent possible.

1.9 Budget Tables

The following twelve pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/17 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page

Annexure 1- Budgeted Summary

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

Annexure 2- Budgeted Financial Performance

EC106 Sundays River Valley - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue - Standard	1									
<i>Governance and administration</i>		47 937	28 690	66 335	43 907	52 582	52 582	71 732	76 208	80 595
Executive and council		2 113	2 511	8 148	7 094	7 094	7 094	10 377	10 220	11 006
Budget and treasury office		45 044	25 920	58 046	36 586	44 592	44 592	54 176	58 059	61 814
Corporate services		780	259	140	227	897	897	7 179	7 929	7 776
<i>Community and public safety</i>		9 468	17 287	16 141	16 705	16 127	16 127	16 871	17 846	18 815
Community and social services		5 803	11 776	9 217	12 366	8 753	8 753	8 887	9 610	10 325
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		3 664	5 511	6 924	4 338	7 374	7 374	7 984	8 236	8 490
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		13 613	9 593	3 225	17 997	28 710	28 710	32 297	33 734	35 706
Planning and development		2 724	2 464	2 169	2 243	28 710	28 710	32 297	33 734	35 706
Road transport		10 889	7 129	1 056	15 754	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		58 229	88 775	121 815	87 374	64 677	64 677	83 295	95 175	105 886
Electricity		15 622	21 503	28 229	31 942	22 174	22 174	37 053	45 382	52 691
Water		18 097	32 193	46 984	23 351	16 159	16 159	25 084	26 952	28 754
Waste water management		13 697	20 878	31 197	16 734	12 726	12 726	9 435	10 241	10 995
Waste management		10 814	14 201	15 405	15 346	13 618	13 618	11 723	12 600	13 445
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	129 247	144 345	207 515	165 982	162 096	162 096	204 194	222 962	241 002
Expenditure - Standard										
<i>Governance and administration</i>		102 201	131 259	136 495	92 995	136 924	136 924	76 443	81 257	85 846
Executive and council		6 537	12 053	8 695	13 898	15 424	15 424	20 954	22 058	23 200
Budget and treasury office		94 472	114 772	122 889	67 037	111 342	111 342	43 330	45 884	48 518
Corporate services		1 192	4 433	4 911	12 060	10 158	10 158	12 159	13 314	14 128
<i>Community and public safety</i>		2 370	11 716	10 818	18 838	16 291	16 291	19 596	20 891	22 269
Community and social services		1 548	4 747	5 257	7 028	6 490	6 490	9 467	10 068	10 735
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		823	6 969	5 561	11 810	9 802	9 802	10 129	10 823	11 534
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		892	6 340	7 752	10 196	9 177	9 177	19 525	20 155	20 716
Planning and development		175	5 309	5 766	8 551	9 177	9 177	19 525	20 155	20 716
Road transport		717	1 031	1 987	1 644	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		14 238	23 470	30 510	37 190	38 023	38 023	101 539	104 689	108 339
Electricity		11 817	13 522	14 764	16 901	18 648	18 648	27 839	28 980	30 588
Water		1 183	5 099	10 474	8 143	10 438	10 438	39 980	40 973	41 982
Waste water management		135	3 001	3 599	9 240	5 627	5 627	17 491	17 977	18 472
Waste management		1 104	1 847	1 673	2 905	3 310	3 310	16 229	16 760	17 299
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	119 702	172 785	185 576	159 218	200 414	200 414	217 103	226 992	237 170
Surplus/(Deficit) for the year		9 545	(28 441)	21 939	6 764	(38 319)	(38 319)	(12 909)	(4 029)	3 832

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

Annexure 3- Budgeted Financial Performance

EC106 Sundays River Valley - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote	1									
Vote 1 - Excutive and Council		1 993	2 511	8 148	2 890	2 890	2 890	3 039	3 187	3 344
Vote 2 - Municipal Manager		120	-	-	4 204	4 204	4 204	7 338	7 033	7 662
Vote 3 - Budget and Treasury		45 044	25 920	58 046	36 586	44 592	44 592	54 176	58 059	61 814
Vote 4 - Corporate Service		780	259	140	227	897	897	7 179	7 929	7 776
Vote 5 - Community Service		20 282	31 488	31 547	32 051	29 744	29 744	28 594	30 445	32 260
Vote 6 - Technical Services		61 028	84 167	109 634	90 025	79 769	79 769	103 868	116 309	128 146
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	129 247	144 345	207 515	165 982	162 096	162 096	204 194	222 962	241 002
Expenditure by Vote to be appropriated	1									
Vote 1 - Excutive and Council		5 067	5 409	5 664	6 858	7 497	7 497	7 820	8 293	8 789
Vote 2 - Municipal Manager		1 470	6 644	3 031	7 040	7 927	7 927	13 134	13 766	14 411
Vote 3 - Budget and Treasury		94 472	114 772	122 889	67 037	111 342	111 342	43 330	45 884	48 518
Vote 4 - Corporate Service		1 192	4 433	4 911	12 060	10 158	10 158	12 159	13 314	14 128
Vote 5 - Community Service		3 474	13 563	12 492	21 743	19 601	19 601	35 825	37 651	39 567
Vote 6 - Technical Services		14 027	27 963	36 589	44 480	43 890	43 890	104 835	108 084	111 757
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	119 702	172 785	185 576	159 218	200 414	200 414	217 103	226 992	237 170
Surplus/(Deficit) for the year	2	9 545	(28 441)	21 939	6 764	(38 319)	(38 319)	(12 909)	(4 029)	3 832

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

Annexure 4- Budgeted Financial Performance

EC106 Sundays River Valley - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source											
Property rates	2	13 014	13 933	28 889	12 781	35 836	35 836	35 836	38 201	40 569	42 963
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	15 622	14 495	17 609	20 089	7 034	7 034	7 034	13 098	14 098	15 175
Service charges - water revenue	2	12 743	20 019	25 547	7 624	5 939	5 939	5 939	17 978	19 093	20 219
Service charges - sanitation revenue	2	3 545	3 519	4 337	2 081	2 758	2 758	2 758	4 413	4 687	4 963
Service charges - refuse revenue	2	6 455	7 197	7 688	4 608	5 262	5 262	5 262	8 315	8 830	9 351
Service charges - other											
Rental of facilities and equipment		115	128	136	121	26	26	26	27	29	31
Interest earned - external investments		285	549	470	186	1 439	1 439	1 439	1 533	1 629	1 725
Interest earned - outstanding debtors		4 649	7 058	10 501	7 111	2 284	2 284	2 284	5 000	5 310	5 623
Dividends received								-			
Fines		1 907	2 012	3 671	609	4 038	4 038	4 038	4 240	4 282	4 325
Licences and permits		1 327	1 989	1 359	1 302	1 628	1 628	1 628	1 644	1 746	1 849
Agency services		1 577	1 121	1 520	1 363	1 711	1 711	1 711	1 728	1 835	1 943
Transfers recognised - operational		42 787	49 077	53 881	61 809	61 190	61 190	61 190	67 055	71 727	76 925
Other revenue	2	2 255	406	15 531	22 678	6 832	6 832	6 832	7 516	7 982	8 453
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		106 282	121 503	171 139	142 362	135 976	135 976	135 976	170 748	181 817	193 546
Expenditure By Type											
Employee related costs	2	31 682	38 277	41 132	47 294	47 326	47 326	47 326	53 418	57 264	61 215
Remuneration of councillors		4 930	5 165	5 369	5 301	5 953	5 953	5 953	6 310	6 695	7 090
Debt impairment	3	15 822	42 372	42 839	18 873	29 489	29 489	29 489	34 967	34 967	34 967
Depreciation & asset impairment	2	13 797	25 386	28 989	17 500	44 839	44 839	44 839	35 000	35 000	35 000
Finance charges		2 720	2 173	2 849	1 054	3 024	3 024	3 024	2 644	2 808	2 974
Bulk purchases	2	12 320	14 734	21 491	19 047	19 047	19 047	19 047	20 495	22 038	23 685
Other materials	8	11 843	6 380	2 121	7 097	6 108	6 108	6 108	6 304	6 695	7 090
Contracted services		2 446	-	-	1 951	3 527	3 527	3 527	4 026	4 276	4 528
Transfers and grants		-	-	-	-	-	-	-	17 970	19 205	20 495
Other expenditure	4, 5	24 143	35 785	39 882	41 101	41 101	41 101	41 101	35 970	38 046	40 127
Loss on disposal of PPE			2 511	906							
Total Expenditure		119 702	172 785	185 576	159 218	200 414	200 414	200 414	217 103	226 992	237 170
Surplus/(Deficit)		(13 420)	(51 282)	(14 438)	(16 856)	(64 439)	(64 439)	(64 439)	(46 355)	(45 174)	(43 624)
Transfers recognised - capital		22 965	22 841	36 377	23 620	26 120	26 120	26 120	33 446	41 145	47 456
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		9 545	(28 441)	21 939	6 764	(38 319)	(38 319)	(38 319)	(12 909)	(4 029)	3 832
Taxation											
Surplus/(Deficit) after taxation		9 545	(28 441)	21 939	6 764	(38 319)	(38 319)	(38 319)	(12 909)	(4 029)	3 832
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		9 545	(28 441)	21 939	6 764	(38 319)	(38 319)	(38 319)	(12 909)	(4 029)	3 832
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		9 545	(28 441)	21 939	6 764	(38 319)	(38 319)	(38 319)	(12 909)	(4 029)	3 832

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

Annexure 5- Budgeted Capital Expenditure

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

EC106 Sundays River Valley - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Budget and Treasury		-	-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Service		-	-	-	-	-	-	-	-	-	-
Vote 5 - Community Service		-	-	-	-	-	-	-	-	-	-
Vote 6 - Technical Services		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Executive and Council		-	(6 476)	-	100	-	-	-	100	-	-
Vote 2 - Municipal Manager		-	-	334	13 382	2 000	2 000	2 000	12 334	-	-
Vote 3 - Budget and Treasury		60	3 162	978	1 588	490	490	490	260	-	-
Vote 4 - Corporate Service		147	684	2 582	1 930	3 798	3 798	3 798	2 869	-	-
Vote 5 - Community Service		-	-	2 498	5 267	4 247	4 247	4 247	4 660	-	2 243
Vote 6 - Technical Services		16 277	31 195	36 678	22 796	23 313	23 313	23 313	32 575	39 838	43 840
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		16 485	28 565	43 069	45 064	33 848	33 848	33 848	52 797	39 838	46 083
Total Capital Expenditure - Vote		16 485	28 565	43 069	45 064	33 848	33 848	33 848	52 797	39 838	46 083
Capital Expenditure - Standard											
Governance and administration		207	(2 630)	3 894	17 000	6 288	6 288	6 288	15 562	-	-
Executive and council		-	(6 476)	334	13 482	2 000	2 000	2 000	12 434	-	-
Budget and treasury office		60	3 162	978	1 588	490	490	490	260	-	-
Corporate services		147	684	2 582	1 930	3 798	3 798	3 798	2 869	-	-
Community and public safety		-	-	2 498	5 267	4 247	4 247	4 247	4 360	-	2 243
Community and social services		-	-	1 000	4 857	4 247	4 247	4 247	315	-	-
Sport and recreation		-	-	-	-	-	-	-	1 250	-	2 243
Public safety		-	-	1 498	410	-	-	-	2 795	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	-	-	3 100	1 440	1 440	1 440	10 912	8 500	12 000
Planning and development		-	-	-	3 100	1 440	1 440	1 440	-	-	-
Road transport		-	-	-	-	-	-	-	10 912	8 500	12 000
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		16 277	31 195	36 678	19 373	21 873	21 873	21 873	21 963	31 338	31 840
Electricity		-	6 949	2 727	412	412	412	412	10 085	15 000	20 000
Water		-	12 927	10 447	-	2 500	2 500	2 500	2 374	15 000	5 000
Waste water management		7 000	6 031	19 578	3 207	3 207	3 207	3 207	9 204	1 338	6 840
Waste management		9 277	5 289	3 926	15 754	15 754	15 754	15 754	300	-	-
Other		-	-	-	324	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	16 485	28 565	43 069	45 064	33 848	33 848	33 848	52 797	39 838	46 083
Funded by:											
National Government		16 277	31 595	37 678	23 620	26 120	26 120	26 120	33 160	39 838	46 083
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	(6 476)	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	16 277	25 119	37 678	23 620	26 120	26 120	26 120	33 160	39 838	46 083

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

ANNEXURE 6 : BUDGETED FINANCIAL POSITION

EC106 Sundays River Valley - Table A6 Budgeted Financial Position

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
ASSETS											
Current assets											
Cash		95	-	991	2 000	2 529	2 529	2 529	1 000	1 171	1 240
Call investment deposits	1	6 196	7 127	19 521	-	21 000	21 000	21 000	4 562	8 250	5 823
Consumer debtors	1	23 726	8 011	19 208	47 768	28 200	28 200	28 200	28 490	28 952	29 412
Other debtors		950	2 222	3 743							
Current portion of long-term receivables					3	3	3	3	3	3	3
Inventory	2	158	13	225	158	368	368	368	392	285	452
Total current assets		31 125	17 374	43 688	49 929	52 100	52 100	52 100	34 448	38 661	36 931
Non current assets											
Long-term receivables											
Investments											
Investment property		28 364	22 808	22 808	42 498	22 808	22 808	22 808	22 808	22 808	22 808
Investment in Associate											
Property, plant and equipment	3	370 572	481 472	493 846	327 216	482 855	482 855	482 855	510 652	548 022	565 105
Agricultural											
Biological											
Intangible		972	458	448	830	830	830	830	750	794	706
Other non-current assets			322	322							
Total non current assets		399 908	505 061	517 424	370 543	506 493	506 493	506 493	534 210	571 624	588 619
TOTAL ASSETS		431 033	522 434	561 112	420 473	558 594	558 594	558 594	568 658	610 286	625 549
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	2 610	11 868	9 474	451	1 352	1 352	1 352	1 483	1 514	1 117
Consumer deposits		262	270	281	275	577	577	577	300	318	337
Trade and other payables	4	28 923	22 009	40 781	22 922	27 922	27 922	27 922	21 540	15 800	16 870
Provisions											
Total current liabilities		31 794	34 147	50 537	23 647	29 851	29 851	29 851	23 323	17 632	18 325
Non current liabilities											
Borrowing		7 656	2 580	1 176	2 606	354	354	354	397	1 016	397
Provisions		19 435	36 070	37 824	15 823	22 201	22 201	22 201	38 024	32 224	41 724
Total non current liabilities		27 091	38 650	38 999	18 429	22 554	22 554	22 554	38 420	33 240	42 120
TOTAL LIABILITIES		58 886	72 797	89 536	42 077	52 405	52 405	52 405	61 743	50 873	60 445
NET ASSETS	5	372 147	449 637	471 577	378 396	506 188	506 188	506 188	506 915	559 413	565 104
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		372 147	449 637	471 577	388 847	506 188	506 188	506 188	506 915	559 413	565 104
Reserves	4	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	372 147	449 637	471 577	388 847	506 188	506 188	506 188	506 915	559 413	565 104

Notes

Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first

3. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

ANNEXURE 6: CASH FLOW

EC106 Sundays River Valley - Table A7 Budgeted Cash Flows

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		–	28 889						14 725	15 638	16 560
Service charges		33 383	48 698	47 421	48 220	39 572	39 572	39 572	14 165	15 043	15 930
Other revenue		2 525	39 790	46 147		–	–	–	15 159	27 241	8 857
Government - operating	1	69 732	49 077	90 258	61 809	61 190	61 190	61 190	65 310	71 076	77 127
Government - capital	1		22 841		23 620	26 936	26 936	26 936	33 446	41 145	47 456
Interest			7 607	10 971	3 757	2 733	2 733	2 733	3 968	4 214	4 463
Dividends									–	–	–
Payments											
Suppliers and employees		(81 609)	(170 117)	(125 339)	(110 747)	(115 580)	(115 580)	(115 580)	(121 711)	(131 540)	(121 267)
Finance charges		(2 720)	(2 068)	(2 408)	(478)	(1 294)	(1 294)	(1 294)	(2 644)	(2 808)	(2 974)
Transfers and Grants	1				(1 764)				–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		21 312	24 717	67 049	24 417	13 557	13 557	13 557	22 417	40 009	46 152
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		3	–						–	–	–
Decrease (Increase) in non-current debtors				339					–	–	–
Decrease (increase) other non-current receivables									–	–	–
Decrease (increase) in non-current investments									–	–	–
Payments											
Capital assets		(16 485)	(28 565)	(43 069)	(45 064)	(33 348)	(33 348)	(33 348)	(52 797)	(39 838)	(46 083)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(16 481)	(28 565)	(42 731)	(45 064)	(33 348)	(33 348)	(33 348)	(52 797)	(39 838)	(46 083)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									–	–	–
Borrowing long term/refinancing									–	–	–
Increase (decrease) in consumer deposits						21	21	21	–	–	–
Payments											
Repayment of borrowing		(764)	(3 450)	(4 368)		1 787	1 787	1 787	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		(764)	(3 450)	(4 368)	–	1 808	1 808	1 808	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		4 068	(7 298)	19 950	(20 647)	(17 983)	(17 983)	(17 983)	(30 380)	171	69
Cash/cash equivalents at the year begin:	2	2 223	6 291	562	7 335	20 512	20 512	20 512	31 380	1 000	1 171
Cash/cash equivalents at the year end:	2	6 291	(1 007)	20 512	(13 312)	2 529	2 529	2 529	1 000	1 171	1 240

Notes

- The budgeted cash flow statement is the first measurement in determining if the budget is funded.
- It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
- It can be seen that the cash levels of the municipality fell significantly over the 2015/16 to 2016/17 period owing directly to a net decrease in cash is attributable to planned expenditure

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

in line with building construction and development of procurement plans which will ensure no rollovers if implemented accordingly

ANNEXURE 8: CASH BACKED RESERVES

EC106 Sundays River Valley - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available											
Cash/cash equivalents at the year end	1	6 291	(1 007)	20 512	(13 312)	2 529	2 529	2 529	1 000	1 171	1 240
Other current investments > 90 days		0	8 134	-	15 312	21 000	21 000	21 000	4 562	8 250	5 823
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		6 291	7 127	20 512	2 000	23 529	23 529	23 529	5 562	9 421	7 063
Application of cash and investments											
Unspent conditional transfers		-	-	7 468	-	5 000	5 000	5 000	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	14 905	5 298	14 925	(27 854)	7 707	7 707	7 707	9 256	339	6 286
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		14 905	5 298	22 393	(27 854)	12 707	12 707	12 707	9 256	339	6 286
Surplus(shortfall)		(8 614)	1 829	(1 882)	29 854	10 822	10 822	10 822	(3 694)	9 082	777

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

ANNEXURE 9: ASSET MANAGEMENT

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

EC106 Sundays River Valley - Table A9 Asset Management

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CAPITAL EXPENDITURE										
Total New Assets	1	156	1 497	5 391	21 444	8 850	8 850	20 057	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	985	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	300	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	1 285	-	-
Community		-	-	-	410	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	324	-	-	-	-	-
Other assets	6	156	1 497	5 391	19 880	8 020	8 020	18 522	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	830	830	830	250	-	-
Total Renewal of Existing Assets	2	16 329	27 068	37 678	23 620	24 998	24 998	32 740	39 838	46 083
Infrastructure - Road transport		4 082	6 767	9 420	15 754	15 754	15 754	10 912	8 500	12 000
Infrastructure - Electricity		4 082	6 767	9 420	412	412	412	9 000	15 000	20 000
Infrastructure - Water		4 082	6 767	9 420	-	2 500	2 500	2 374	15 000	5 000
Infrastructure - Sanitation		4 082	6 767	9 420	3 207	2 085	2 085	9 204	1 338	6 840
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		16 329	27 068	37 678	19 373	20 751	20 751	31 490	39 838	43 840
Community		-	-	-	4 247	4 247	4 247	1 250	-	2 243
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	4 082	6 767	9 420	15 754	15 754	15 754	10 912	8 500	12 000
Infrastructure - Road transport		4 082	6 767	9 420	412	412	412	9 985	15 000	20 000
Infrastructure - Electricity		4 082	6 767	9 420	-	2 500	2 500	2 374	15 000	5 000
Infrastructure - Water		4 082	6 767	9 420	3 207	2 085	2 085	9 504	1 338	6 840
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		16 329	27 068	37 678	19 373	20 751	20 751	32 775	39 838	43 840
Community		-	-	-	4 657	4 247	4 247	1 250	-	2 243
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	324	-	-	-	-	-
Other assets		156	1 497	5 391	19 880	8 020	8 020	18 522	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	830	830	830	250	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	16 485	28 565	43 069	45 064	33 848	33 848	52 797	39 838	46 083
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport										
Infrastructure - Electricity										
Infrastructure - Water										
Infrastructure - Sanitation										
Infrastructure - Other		370 572	481 472	493 846	327 216	482 855	482 855	510 652	548 022	565 105
Infrastructure		370 572	481 472	493 846	327 216	482 855	482 855	510 652	548 022	565 105
Community										
Heritage assets										
Investment properties		28 364	22 808	22 808	42 498	22 808	22 808	22 808	22 808	22 808
Other assets										
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		972	458	448	830	830	830	750	794	706
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	399 908	504 738	517 102	370 543	506 493	506 493	534 210	571 624	588 619

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

Notes:

- Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
- National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The meets the 40 per cent recommendations however repair and maintenance plans need to be developed to safe guard our assets properly and improve service delivery

ANNUXURE 10: BASIC SERVICE DELIVERY

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year a time schedule that sets out the process to revise the IDP and prepare the budget

The 2016/17 MTREF budget preparation commenced in August 2015 after Council approved a timetable for the IDP and Budget preparation process.

The draft budget for 2016/17 FY was tabled on 31 March 2015.

The budget comprises both operating and capital Budgets, which is a requirement of the Constitution and the Municipal Finance Management Act (MFMA). Sections 1.8 and 1.9, present an overview of the operating and capital budgets respectively, with high level tables, which provide an overall picture of the municipality's finances.

One of the objectives of the budget timetable is to ensure integration between the development of the Integrated Development Plan (IDP) and the Budget. The IDP is the strategic plan of the Municipality and it is critical that the Budget enables the achievement of the IDP objectives.

The MFMA requires municipalities to set out measurable performance objectives when tabling their budgets. These "key deliverables" link the financial inputs of the budget to service delivery on the ground.

As a further enhancement to this, quarterly service targets and monthly financial targets are contained in the Service Delivery and Budget Implementation Plan (SDBIP). This must be approved by the Mayor within 28 days after the approval of the final budget and forms the basis for the Municipality's in year monitoring.

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

2.2 FINANCIAL MODELLING

As part of the compilation of the 2016/17 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2016/17 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt)
- Performance trends
- The approved 2015/16 adjustments budget and performance against the SDBIP
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 79 has been taken into consideration in the planning and prioritisation process

2.3 CONSULTATIONS AND ADVERTISEMENT

The draft budget tabled to Council was taken to the community for consultation. The community consultation process started on the 15 April 2015 to 05 May 2015, and included ten public briefing sessions. The applicable dates were published accordingly. Individual session and integrated governmental sessions were held for all other stakeholder other than residents of the jurisdiction.

The following is some of the issues raised and comments received during the consultation process:

- Poor state of roads
- Housing rectification and development is needed
- Improved water quality and water accessibility

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

- Cemetery space required and maintenance of existing cemeteries
- Poor performance of contractors and time employed in projects
- Alternative energy source should be investigated
- Sporting facilities and activities must be improved

2.4 FREE BASIC SERVICE

The municipality is currently working with consultants, CDW in terms of improving its Indigent register updates and Management of Indigent. Currently the municipality provides and has budgeted for the following benefits to registered indigent households:

- Electricity: A subsidy of fifty (50) Kilowatts of electricity per property per month to registered households will apply.
- Refuse Removal: A subsidy, not more than the applicable tariff for the 2016/17 financial year, will be applied for the duration of the financial year.
- Sanitation: A subsidy, not more than the applicable tariff for the 2016/17 financial year, will be applied for the duration of the financial year.
- Water: A subsidy of 6 Kiloliters of water per property per month to registered households will apply.

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

2.5 ALIGNMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN

The review process focussed on:

- Improving the strategic nature of the document, thereby ensuring effective use of available data, careful consideration of available resources, as well as exploring locally appropriate solutions to complex development issues.
- Increasing the usefulness of the document during implementation and monitoring.

The process was influenced by:

- Project information as provided by Heads of Departments
- An extensive data search to update the analysis chapter.
- Inputs from community based planning initiatives

The alignment of the IDP with the budget is illustrated in schedules SA4, SA5, SA6. The schedules are attached.

These allocations are to link up with the Service Delivery and Budget Implementation plan. A draft Service Delivery and Budget Implementation Plan has been developed and will be tabled with the budget to Council. The final SDBIP needs to be approved within 28 days after the adoption of the budget. KPA's and KPI's have been developed and strategic alignment between IDP, Budget and SDBIP is ascertained.

2.6 MEASURABLE PERFORMANCE INDICATORS AND OBJECTIVES

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, Sundays River Valley has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets,

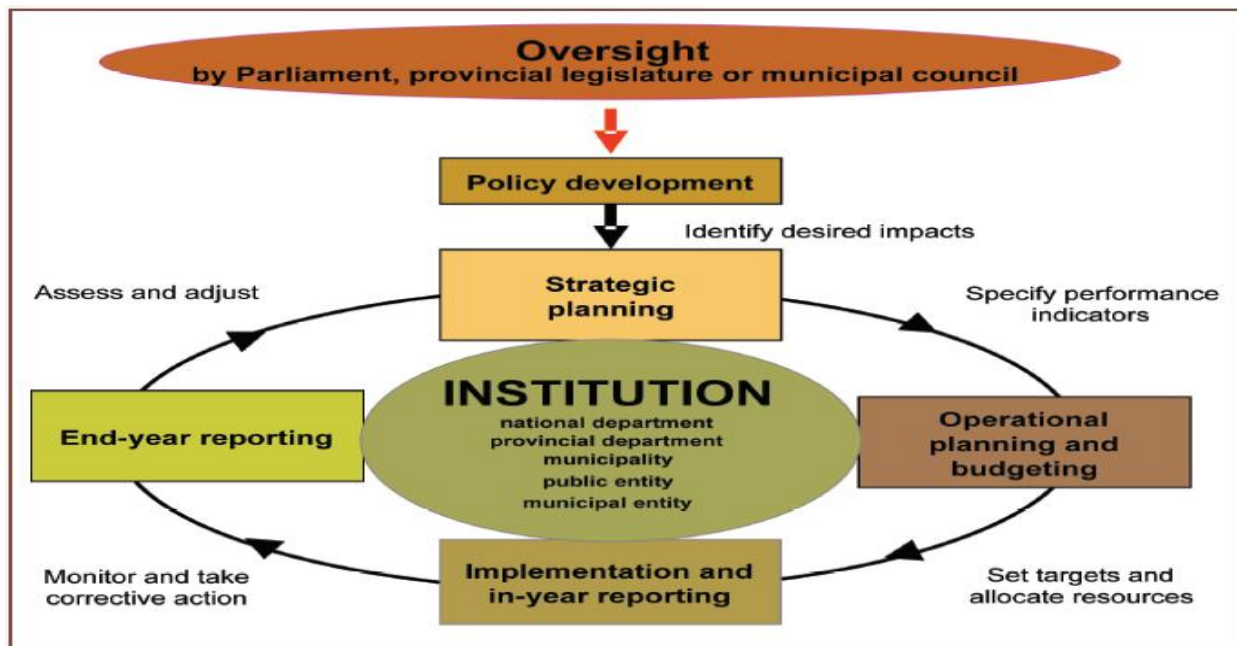
BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of Sundays River Valley relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. Sundays River Valley therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose);
and
- Improvement (making changes where necessary).

2.7 OVERVIEW OF BUDGET RELATED POLICIES

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

Review of credit control and debt collection procedures/policies

The credit control and debt collection policy as approved by Council in 2010 has been reviewed. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt, applying fixed interest instead of prime plus one for outstanding debt of customers.

In addition emphasis has to be placed on speeding up the indigent registration approval by Council prior to the final 2016/17 Annual Budget and MTREF process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

This policy has been reviewed and an amended policy has been workshopped accordingly

Asset Management Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

annual basis. The Asset Management Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

This policy has been reviewed and an amended policy has been workshopped accordingly

Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in 2010 has been reviewed. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on. Amendments are made in terms of National Treasury Regulations and changes within SCM

This policy has been reviewed and an amended policy has been workshopped accordingly

Tariff Policy

The Municipal Systems Act requires a municipality to have a tariff policy. One of the challenges in setting tariffs is ensuring affordable tariffs whilst maintaining financial stability. The tariff policy tries to address this issue and creates a foundation for the principles that address social, economic and financial imperatives that the process of tariff setting should take into account.

Changes proposed: None

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

Rates policy

Sundays River Valley has adopted a rates policy which is in line with legislative requirements. The policy became effective 01 July 2009.

The policy provides that properties be rated based on their market value. The valuation roll is still valid for one year.

Changes proposed: None

Indigent Policy

This policy was reviewed and approved during the 2009/2010 financial year.

Sundays River Valley municipality is committed to ensure that all households have access to its services. Due to the fact that Sundays River Valley Municipality has a high level of unemployment and seasonal workers, the municipality decided to adopt an indigent policy. This policy will ensure that poor households have at least access to basic services.

Changes proposed: None

Banking and Investment policy

As custodians of public funds, the Council has an obligation to see to it that cash resources are managed as effectively as possible. Council has a responsibility to invest public funds with great care and are liable to the community in that regard.

The investment policy should be aimed at gaining the highest possible return without undue risk during those periods when funds are not needed. To bring this about, it is essential to have an effective cashflow management program.

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

Changes proposed: None

Policy on the writing off of irrecoverable debt

Despite strict enforcement of the credit control and indigent policies, Council will continuously be confronted by circumstances requiring the possible write-off of irrecoverable debt. To allow this the Credit Control Policy, inter alia, stipulated that:-

The Municipal Manager must establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the municipality.

In addition, the policy further stipulates that:-

The purpose of this policy is to ensure that the principles and procedures for writing off irrecoverable debt are formalized.

Changes proposed: None

Financial management policy

This policy incorporates amongst others regulations relating to:

- General budgeting principles and processes
- Virements
- Levying of tariffs, fees and charges
- Collection and control of income
- Operating expenditure
- Capital expenditure
- Creditors and payments
- Salaries & Wages
- Petty Cash
- Asset management

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

- Investments
- Risk management and Insurance
- Loans

This policy has been reviewed and an amended policy has been workshopped accordingly

2.8 BUDGET STRATEGY & ASSUMPTIONS

Budget Strategy

The following guidelines were used to compile the 2016/17 to 2018/19 Operating and Capital budgets:

- (a) That the annual increases for the 2016/17 to 2018/19 Operating Budget be limited to the following and be reviewed during the process, if considered necessary:
 - The overall increase in operating expenditure is based on the projected CPIX of 6, 6%.
 - The overall increase in employee related costs be aligned to finalized agreement by the SALGBC at 6,6% plus 1 and make provision for critical posts to address service delivery targets
 - Bulk purchases increase as per ESKOM and NERSA guidelines of 7.86 %
 - Rates and tariff escalations be limited to 6.6%
 - Electricity tariff escalation is 7.64%

- (b) Interest rates for borrowing and investment of funds
 - The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. Sundays River Valley does not engage financing arrangements as we have reached our prudence lending ability. However, for simplicity the 2016/17 MTREF is based on the

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

assumption that no borrowings are to be undertaken. As part of the compilation of the 2016/17 MTREF the potential of smoothing out the debt profile over the long term was noted.

(c) Collection rate for revenue services

- The base assumption is that tariff and rating increases will increase at a rate equal to CPI. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

Budget assumptions

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- An assessment of the relative capacity to implement the Budget.
- No budget allocation has been made to programmes and projects, unless the respective programme and project plans have been submitted by the relevant Directors.
- The need to enhance the municipality's revenue base.

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

2.9 FUNDING OF THE BUDGET

The budget is funded from two major sources:

- Realistic expected revenue from operations (Property rates and service charges)
- Grants and subsidies (cash backed allocations from government)

On-going issues requiring monitoring and evaluation

The municipality is closely monitoring certain issues that could have a significant financial impact on future budgets. If one or more of them require substantial resources beyond what is included in the mid-term budget, the municipality will have to adjust its spending plans to maintain its financial position. Many of the items listed below could have major and permanent impacts on the operating budget, and would therefore require permanent increases in revenue, or reductions in other services. Consequently, they should be carefully monitored and evaluated:

- Maintenance backlogs in roads, electricity and municipal properties
- Staffing requirements and the impact on the personnel expenditure target;
- Acceptance and implementation of funded mandates; e.g. Disaster management and Library Services;
- Improving on current collection rates especially household debt

BUDGET FOR 2016/17 MTREF

26 MAY 2016

SUNDAYS RIVER VALLEY MUNICIPALITY

QUALITY CERTIFICATE

I, Lonwabo Ngoqo, Municipal Manager of Sundays River Valley municipality, hereby certify that the annual budget 2016/17 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft annual budget and supporting documentation are consistent with the draft Integrated Development Plan of the municipality.

L.M.R. NGOQO

MUNICIPAL MANAGER OF SUNDAYS RIVER VALLEY MUNICIPALITY – EC106

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SIGNATURE

DATE: 26 May 2016